

ATTACHMENT J

SURPLUS ENERGY SALES REVENUES REMITTANCE

1. Calculation of DWR Monthly Surplus Energy Sales Revenues Remittance (“Monthly Surplus Energy Sales Revenue Remittance”). DWR Surplus Energy Sales Revenues shall be allocated consistent with the Contract Allocation Order and the principles set forth in Exhibit C of the Operating Order and as further provided in this Attachment J. As provided in Exhibit C to the Operating Order, Utility is required to calculate the DWR Surplus Percentage on an hourly basis and to apply such percentage to the total surplus energy sales revenues received by the Utility to determine the hourly DWR Surplus Energy Sales Revenues to be remitted to DWR. Pursuant to this Attachment J, Utility shall remit DWR Surplus Energy Sales Revenues each month to DWR.

2. Preliminary Monthly Surplus Energy Sales Revenues Remittance. By the first Business Day after the 20th day of the month following each delivery month (the “Monthly Settlement Date”), Utility shall calculate and shall remit to DWR the “Preliminary Monthly Surplus Energy Sales Revenues Remittance Amount,” consisting of the aggregate of DWR Surplus Energy Sales Revenues for each hour of the month using the price and volume information available to Utility and in accordance with the principles set forth in Exhibit C of the Operating Order. The Preliminary Monthly Surplus Energy Sales Revenues Remittance Amount shall be accompanied by a detailed written report (the “Preliminary Monthly Surplus Energy Sales Report”) in a form to be developed by the Parties.

3. Actual Monthly Surplus Energy Sales Revenues Remittance. On or prior to the first Business Day following the due date of the ISO Monthly Final Market Invoice for the delivery month (the “Final Monthly Settlement Date”) Utility will calculate the Actual Monthly Surplus Energy Sales Revenues Remittance Amount (the “Actual Monthly Surplus Energy Sales Revenues Remittance Amount”), based upon actual dispatched Power quantities as reflected in the ISO Final Settlement Statements for the delivery month to determine the DWR Surplus Energy Sales Revenues all in accordance with the principles set forth in Exhibit C of the Operating Order.

Utility will subtract the Preliminary Monthly Surplus Energy Sales Revenues Remittance Amount previously remitted to DWR for the appropriate delivery month from the Actual Monthly Surplus Energy Sales Revenues Remittance Amount as determined under this Section 3 (“Delivery Month True-up Amount”) and either remit such Delivery Month True-up Amount to DWR if the result is positive, or invoice DWR for the net amount if the result is negative. Any remittances or invoices to be prepared under this Section 3 shall be accompanied by a detailed written report in a form to be developed by the Parties (the “Actual Monthly Surplus Energy Sales Report”).

4. Adjustments and True-ups. (a) If the Utility determines that it has remitted amounts to DWR in error, Utility may provide notice of such event to DWR (accompanied by an explanation of the facts surrounding such erroneous deposit), and

DWR agrees to review such notice and information as soon as practicable and promptly repay such funds if and to the extent DWR agrees with Utility, such agreement not to be unreasonably withheld or delayed.

If DWR becomes aware of a material discrepancy in the remitted Preliminary Monthly Surplus Energy Sales Revenues Remittance Amount, DWR may provide notice of such event to Utility (accompanied by an explanation of the facts surrounding such erroneous deposit) and Utility shall review such notice and information as soon as practicable and promptly remit such funds if and to the extent that Utility agrees with DWR, such agreement not be unreasonably withheld or delayed.

(b) If for any period of three consecutive months, the absolute value of the Delivery Month True-up Amount is greater than 10% of the Preliminary Monthly Surplus Energy Sales Revenues Remittance Amount for such period, the Parties shall negotiate changes to the methodology provided in this Attachment J so as to reasonably reduce the Delivery Month True-up Amount as much as possible for future months. Either Party may, in addition to any other remedies available to the Party, submit the matter to the Commission or other appropriate forum for resolution in the event that the Parties cannot mutually agree to a revised methodology.

5. Additional Adjustments. The Actual Monthly Surplus Energy Sales Revenues Remittance Amount will also reflect any Additional Adjustments that occur after the Final Monthly Settlement Date for any delivery month. Additional Adjustments shall consist of those adjustments mutually agreed to by the Parties, adjustments as a result of settled disputes between the Utility and the third-party purchaser of surplus Power or adjustments expressly permitted under the Contract Allocation Order or by Applicable Law or the Operating Order, as may be amended from time to time.

Each Additional Adjustment shall be accompanied by a detailed written report in a form to be mutually developed by the Parties. As reasonably requested by DWR, Utility shall provide supporting documentation of any Additional Adjustments.

6. DWR Right to Verify DWR Surplus Energy Sales Revenues. DWR agrees that it shall have the right but not the obligation following the receipt of the Actual Monthly Surplus Energy Sales Report for each delivery month to conduct such verification procedures as determined reasonably necessary. In the event that DWR does not agree with the remittance of DWR Surplus Energy Sales Revenues following its verification, DWR agrees that it will notify Utility in writing of a dispute with respect to the remittances of DWR Surplus Energy Sales Revenues. If the Parties are unable to resolve any disputes relating to such DWR Surplus Sales Energy Revenues, either Party, may, upon giving five Business Days' notice to the other Party pursue such appropriate remedies including the submission of the dispute to the Commission or other appropriate forum for proposed resolution.